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# The Rothschild story: A golden era ends for a secretive dynasty

## This week NM Rothschild & Sons pulled out of trading in gold, the commodity that made their name in banking

By Paul Vallely

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In one sense, of course, it is. This was the company that smuggled gold coins across the English Channel to finance the Duke of Wellington's advance through France to his final triumph at Waterloo over Napoleon (who, it turned out, had also borrowed money from the Rothschilds).

But in another way it marks out the continuation of an even older tradition - the ability of the family which has founded one of the world's largest private banking dynasties to sustain their **secretive fortune, which industry insiders count not in billions but in trillions, and keep it within the family.**

Secrecy has been a hallmark of the Rothschilds from the outset. Mayer Amschel Rothschild, the son of an itinerant money lender and goldsmith who settled in the Jewish ghetto in Frankfurt-am-Main in 1744, specialised not just in clever accounting practices but also kept secret books and subterranean vaults which he ensured were never the privy of auditor, lawyer or taxman.

As the paterfamilias became more successful he despatched four of his five sons to different European capitals to take advantage of the rise of capitalism and the growth of international trade. Nathan he sent to London, James to Paris, Saloman to Vienna, and Carl to Naples, keeping the eldest, Amschel, at home with him in Prussia. Of these the two most important proved to be London and Paris, where the two main branches of the family developed a friendly rivalry, with the English branch developing the edge in business and the French in philanthropy, the arts and winemaking. But then in 1996 Amschel Rothschild, a 41-year-old man who had lived in the flamboyant style of many of his ancestors, hanged himself in a Paris hotel room. He was the Rothschild who had been groomed to take over as head of the English arm of the dynasty.

So when the bank's chairman Sir Evelyn de Rothschild retired earlier this year the succession passed to the French side of the family. Baron David de Rothschild, who had been running the family's Paris-based bank, inherited.

None of the Rothschild enterprises have been banks in the sense as understood by the man or woman in the street. What Mayer Rothschild founded in the 1760s was a business which grew from the humble beginning of selling rare coins to becoming the prime moneylender to greedy and spendthrift governments across Europe. One German contemporary quipped that Mayer was "the pride of Israel ... before whose money box kings and emperors humbly bow". And the novelist Thackeray said of Nathan that he was "not king of the Jews, but the Jew of the kings". The brothers financed both sides in the Napoleonic wars and in the Austro-Prussian war too.

It has long been supposed that Nathan increased the family fortune 20-fold by speculating on the outcome of the Battle of Waterloo in 1815. The Rothschilds had a network of agents throughout Europe who, using fast boats, coded letters and carrier pigeons, got information to the family ahead of official sources. Victor Rothschild, third baron and former chairman of the London bank, N M Rothschild, always maintained that Nathan had made a killing by encouraging rumours that Wellington had lost when he knew he had won, though the historian Niall Ferguson in his magisterial history of the family recently disputed that.

Certainly, for all the family motto of *Concordia, Integritas, Industria* (Unity, Integrity, Industry), Nathan's ability to depress stock prices by using the network of agents to spread rumours, true or false, and then buy the stock up after people panicked, was legendary.

More significant, however, was that in the process the Rothschilds created the world of banking as we know it today. Nathan operated principally as an underwriter and speculator in the early 19th-century bond market. He and his brothers invented, or at any rate popularised, the government bond, which allowed investors, big and small, to buy bits of the debts of sovereign states by purchasing fixed-interest bearer bonds.

Governments liked this because they could use them to raise colossal sums of money. Investors liked them because they could be traded - at prices that fluctuated in relation to the performance of the issuing government - and shrewd investors could make big sums. It brought investment in railways, the industrial revolution and ventures like the Suez Canal. The Rothschilds got a cut of everything.

It was a new kind of power. "I care not what puppet is placed upon the throne of England to rule the Empire on which the sun never sets. The man who controls Britain's money supply controls the British Empire, and I control the British money supply," Nathan said. The family developed a lack of awe for the powerful and important. A pompous aristocrat one day called on Nathan who was head down at his desk. Without looking up, the banker said: "Take a chair." His caller, affronted, said: "You are speaking to the Prince of Thurn and Taxis." To which Rothschild replied: "Take two chairs." At one point he even rescued the Bank of England after a run on gold caused the collapse of 145 banks. In 1885 he was given the hereditary title of Baron Rothschild.

Many of the distinct characteristics of the family can be traced back to the will of the founder Mayer Rothschild. It stipulated that no public inventory should be made of his estate; that key positions in the House of Rothschild were to be held by family members; that the eldest son should inherit unless the rest agreed otherwise; that the family was to intermarry with first and second cousins to keep the fortune together; that anyone disputing these terms would be struck from the will. And that all this should apply in perpetuity.

In part this was about preserving not just their Jewish identity but a self-conscious position as role models for their poorer co-religionists. The Rothschilds expended much effort and money pressing for Jewish emancipation and equality across the continent.

Their Jewish solidarity was not heterogeneous. In 1938 Nathan's great-great-grandson, Victor, shocked an audience by saying that in spite of "the slow murder of 600,000 people" on the continent "we probably all agree that there is something unsatisfactory in refugees encroaching on the privacy of our country, even for relatively short periods of time." And the family split over the question of the dream of a Jewish homeland, with some members supporting the first Zionist settlement in Palestine and the Balfour declaration and others opposing it on the grounds that it would encourage anti-Semites to question the existing national identities of assimilated Jews around the rest of the world. None of which has allayed the wild fears of anti-Semites who throughout the 20th century branded the Rothschilds as part of a Jewish plot to take over the world.

The world has changed around the Rothschilds. At one point Nathan Rothschild was the richest man in Britain and probably in the world. In today's terms he was wealthier than Bill Gates. But they never gained the foothold in America they needed. The world became corporate. Private banking got left behind.

Still, the family has moved down only from fabulously rich to enormously wealthy. And they adjusted to the times. They made billions in the 1980s from Margaret Thatcher's privatisations of state-owned industries on which they advised. In France after their bank was nationalised by the Socialist president Francois Mitterrand they slowly built a new business which, under Baron David de Rothschild, has risen to the top ranks of the merger and acquisition league tables. They have pulled out of retail fund management - into which they went with much fanfare only three years back - and now they are pulling out of oil and gold in favour of the higher-margin areas of private banking and wealth management.

Do not spend too many tears. In 1997 the family's Swiss holding company increased its profits by 66 per cent. The firm is not called Rothschild Continuation for nothing.

#### **Mayer Amschel Rothschild (1743-1812), Founder of the family business**

Mayer, orphaned at the age of 12, was forced to make his own living with the help of the good name of his father in Frankfurt. He carved out a self-taught career as a dealer in coins and medals, branching out into state loans and trade in general commodities. He established the family name by placing a Roman eagle on a red shield (Rothschild in German) over the door of his counting house.

Mayer established one of the Rothschild firm's principles: to settle for less profit to ensure long-term business ties. A brisk market in English textiles prompted him to send one of five sons, Nathan, to England.

#### **Jacob, 4th Baron Rothschild (b. 1936), Head of the English side of the family**

Chairman of NM Rothschild before resigning in 1980 to run Rothschild Investment Trust. He chaired the National Heritage Memorial Fund, handing out £1.2bn of lottery grants. He restored Waddesdon Manor, right, the family pile, and chairs Yad Hanadiv, the family foundation in Israel, which donated the Knesset and Supreme Court to the state

#### **David de Rothschild (b. 1942), Head of the French family**

The head of the French family, David de Rothschild has escaped two catastrophes in France: he was born in New York after the Luftwaffe seized the family home in Paris and his mother fled from Nazi Europe; and, in 1981, President Mitterrand nationalised the French financial empire, Banque Rothschild. David and his cousins started afresh with PO Gestion, renamed PO Banque and then Rothschild & Cie Banque.

#### **Seven Generations and two Centuries of Banking**

1760s The orphaned Mayer Amschel Rothschild starts a coins and medals business in Frankfurt

1789 Mayer appointed an agent to William IX of Hanau

1798 Mayer's son Nathan leaves Frankfurt to become a textile and general merchant in Manchester

1812 Nathan's brother James establishes a banking house in Paris

1815 The English branch of the Rothschilds supply gold to the Duke of Wellington's campaign at Waterloo

1820 Nathan's brother settles in Vienna; his brother Carl starts a business in Naples

1836 Nathan dies

1840 NM Rothschild and Sons becomes one of the Bank of England's bullion brokers

1850s Great houses are built. Bordeaux vineyards of Mouton and Lafite are acquired

1875 Lionel de Rothschild raises finance for British stake in the Suez Canal

1887 Rothschilds funds the creation of the diamond dealers De Beers

1901 With no male heirs, the Frankfurt dynasty comes to an end

1919 NM Rothschild & Sons chair new daily fixing of the gold price

1926 The company finances the spread of the London Underground

1929 Beginning of difficult years for family. Wall Street crash; rise of Nazi Europe

1960s Rothschilds look to US; start of Rothschild Inc

1981 France nationalises the highly successful Paris House but the family refuses defeat and starts new business.

1985 Rothschilds advises on British Gas privatisation

2004 An international banking dynasty, Rothschild have 40 countries worldwide